

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 PA-02 PRS-01 /116 W

----- 029977

R 131211Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0722

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 09535

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 12)

REF.: BONN 9099

1. REDUCTION IN INTEREST RATES OF FEDERAL SAVINGS BONDS:  
EFFECTIVE JUNE 20 INTEREST RATES ON NEWLY-ISSUED FEDERAL  
SAVINGS BONDS WILL BE REDUCED. THE YIELD TO MATURITY  
OF SAVINGS BONDS OF TYPE A (ANNUAL INTEREST PAYMENTS,  
MATURITY 6 YEARS) WILL BE 7.27 PERCENT (PREVIOUSLY 7.71  
PERCENT) AND THAT OF TYPE B BONDS (ACCUMULATED INTEREST,  
MATURITY 7 YEARS) 7.63 PERCENT (PREVIOUSLY 7.99 PER-  
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CENT).

2. FOREIGN EXCHANGE MARKET: IN THE SECOND HALF OF THE REPORTING WEEK THE DOLLAR WEAKENED AGAINST THE DEUTSCHE-MARK. SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

	SPOT DOLLARS	FORWARD DOLLARS (DISCOUNTS IN PCT.P.A.)	ONE-MONTH	THREE-MONTH
JUNE 5	DM 2.3442		-1.5	-1.5
6	2.3415		-1.3	-1.5
9	2.3507		-1.3	-1.3
10	2.3445		-0.8	-1.4
11	2.3350		-0.5	-1.1
12	2.3316		-0.8	-1.3

WITHIN THE JOINT FLOAT THE POSITION OF THE DEUTSCHEMARK DID NOT CHANGE VERY MUCH. AT THE END OF THE REPORTING WEEK ALL FLOAT CURRENCIES WERE BELOW THEIR DEUTSCHE-MARK UPPER INTERVENTION POINTS.

3. MONEY MARKET: THE GERMAN MONEY MARKET TIGHTENED SOMEWHAT WHEN PAYMENTS FOR THE MAJOR MID-MONTH TAX DATE BEGAN. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
JUNE 5	4.0-4.5	4.5-4.8	4.5-4.8
6	4.0-4.5	4.5-4.8	4.5-4.8
9	4.2-4.6	4.6-4.9	4.6-4.9
10	4.5-4.8	4.7-4.9	4.8-5.0
11	4.8-5.2	4.8-5.0	4.9-5.1
12	4.6-4.8	4.6-4.9	4.6-4.9

4. MONETARY RESERVES: DURING THE FIRST WEEK OF JUNE (JUNE 1-7) THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.3 BILLION TO DM 82.7 BILLION. ACCORDING TO THE BUNDESBANK, THE DECLINE WAS IN PART ATTRIBUTABLE TO THE UNCLASSIFIED

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CONVERSION OF DM PROCEEDS OF FOREIGN DM DENOMINATED BONDS. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 259 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 16 MILLION. GROSS LIABILITIES INCREASED BY DM 20 MILLION.

5. BANK LIQUIDITY: IN THE FIRST WEEK OF JUNE BANK LIQUIDITY INCREASED BY DM 3.1 BILLION. FACTORS IN-

CREASING LIQUIDITY WERE DECLINES IN OFFICIAL NET ASSETS  
HELD AT THE BUNDESBANK (DM 1.9 BILLION), IN CURRENCY IN  
CIRCULATION (DM 0.9 BILLION) AND IN THE BANKS'  
HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 1.3 BILLION).  
OTHER FACTORS, INCLUDING THE ABOVE-MENTIONED DECLINE  
IN THE BUNDESBANK'S NET FOREIGN POSITION REDUCED LI-  
QUIDITY BY DM 1.0 BILLION. THE BANKS USED THE INCREASE  
IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 2.8  
BILLION (TO PRACTICALLY ZERO) AND REDISCOUNT BORROWINGS  
BY DM 0.3 BILLION.

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USMISSION EC BRUSSELS

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6. BOND MARKET: DURING THE REPORTING WEEK FAZ AVERAGE  
YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS  
DEVELOPED AS FOLLOWS:

8 PERCENT   7 PERCENT   6 PERCENT

JUNE 5	8.49	8.66	8.22
6	8.49	8.65	8.22
9	8.52	8.65	8.20
10	8.52	8.65	8.23
11	8.53	8.67	8.24
12	8.52	8.67	8.23

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ON JUNE 9 THE AUSTRIAN STEEL FIRM VOEST-ALPINE ISSUED A DM 100 MILLION LOAN (COUPON 8 1/2 PERCENT, ISSUE PRICE 99, AVERAGE MATURITY 8 YEARS). THE COMMERZBANK IS CURRENTLY OFFERING A DM 50 MILLION LOAN (COUPON 8 PERCENT, ISSUE PRICE 100, MATURITY 7 YEARS). IN MID-MAY THE BANK OFFERED ANOTHER DM 50 MILLION LOAN AT THE SAME CONDITIONS BUT WITH A MATURITY OF 6 YEARS. THE SWEDISH FORSMARKS KRAFTGRUPP, A.B., STOCKHOLM, IS PLANNING TO LAUNCH A DM 100 MILLION LOAN. THE COUPON IS EXPECTED TO BE 8 1/2 PERCENT, THE AVERAGE MATURITY WILL BE 6 1/2 YEARS. THE LOAN WILL BE GUARANTEED BY THE KINGDOM OF SWEDEN. IN VIEW OF THE CURRENTLY PREVAILING FAVORABLE BOND MARKET CONDITIONS THE FEDERAL GOVERNMENT WILL OFFER ANOTHER LOAN OF ABOUT DM 600 MILLION PROBABLY CARRYING THE SAME CONDITIONS AS THE LAST FEDERAL LOAN OFFERED ON JUNE 9 (SEE BONN 9099). IN A PRESS STATEMENT THE FINANCE MINISTRY EXPLAINED THAT, WITH THIS LOAN, THE FEDERAL GOVERNMENT IN THE FIRST HALF OF 1975 WOULD HAVE MET MORE THAN HALF OF ITS FINANCING NEEDS. SINCE THE SAME APPLIES FOR SOME OF THE LARGER STATES NO EXCESSIVE CAPITAL DEMAND OF PUBLIC AUTHORITIES SHOULD BE EXPECTED IN THE SECOND HALF OF 1975.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, GOVERNMENT BONDS, INTEREST RATES, FINANCIAL DATA  
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**Copy:** SINGLE  
**Draft Date:** 13 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Errors:** N/A  
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**Original Previous Classification:** n/a  
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**Review Transfer Date:**  
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**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006